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North Korea turns to Vietnam for economic ideas

Top official from Pyongyang visits Hanoi to study results of Doi Moi reforms

John Reed in Hanoi and Bryan Harris in Seoul

A top North Korean official will arrive in Hanoi on Thursday to study Vietnam's buoyant economy as the regime in Pyongyang looks to learn how the formerly divided country managed to undertake successful economic reforms while maintaining tight political control.

Ri Yong Ho, the North Korean foreign minister, is expected to meet Vietnamese government officials and others to study the results of the Doi Moi ("renovation") reforms that from 1986 lifted the country out of poverty and international isolation and made it one of south-east Asia's top manufacturing and trading nations.

Neither of the two countries' governments have given details of Mr Ri's itinerary, other than the fact that he will be hosted by Pham Binh Minh, his Vietnamese counterpart, and that the visit will run from November 29 to December 2.

Diplomats and local media in Hanoi have speculated that the North Korean official will visit industrial zones that offer favourable tax and other regulations to draw in foreign investors.

Le Thu Hang, a foreign ministry spokeswoman, told the Financial Times that she "hoped that the Vietnamese side can share their experiences" in achieving "sustainable development goals".

For the two countries, their respective roles of teacher and pupil appear clear cut, and senior officials in North Korea and elsewhere have spoken of following the Vietnamese model.

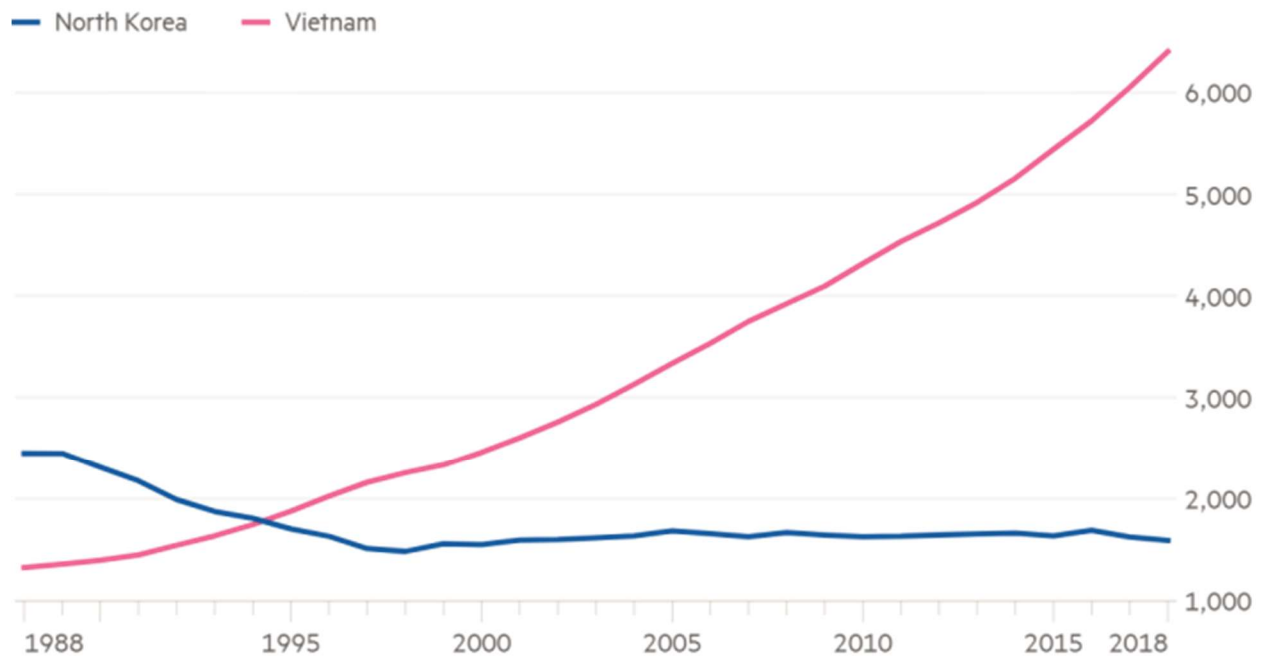
When Kim Jong Un met Moon Jae-in, South Korea's president, for a summit in April, the North Korean leader specifically mentioned the possibility of Pyongyang adopting the Vietnamese model.

So did Mike Pompeo, US secretary of state, at a talk in Hanoi in July, in which he drew a parallel between Vietnam, a country that once warred with the US, but was now transacting billions of dollars worth of direct investment and trade.

"The miracle could now be your miracle," Mr Pompeo said of North Korea, in comments aimed at the North Korean leader.

Vietnam takes off, North Korea stalls

Real GDP per capita at purchasing power parity \$



Source: Oxford Economics
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Vietnam's economy is expanding at an average rate of about 7 per cent, just behind China and India as Asia's fastest-growing. Foreign investors, led by South Korea's Samsung, are fuelling record exports, and Vietnam is benefiting from its network of free trade agreements and a position just beyond the fray of the US-China trade war.

North Korea's economy, meanwhile, is straining under comprehensive international sanctions, put in place last year after the regime's testing of multiple nuclear devices and intercontinental ballistic missiles.

Kim Byung-yeon, a North Korea economic expert at Seoul National University, estimates that North Korea's annual growth this year could be negative 4 to 5 per cent because of a collapse in exports by up to 90 per cent following the full implementation of international sanctions this year.

Since Mr Kim ascended to power in 2011, North Korea has quietly undertaken limited economic reforms, allowing citizens working in agriculture and industry to earn personal profit. And as diplomacy on the Korean peninsula gathered pace this year, political rhetoric out of Pyongyang also shifted to focus on economic development.

Economic experts in Vietnam said there were some parallels between Vietnam in the 1980s and North Korea today. When Doi Moi started, Vietnam, with troops still in Cambodia, was isolated

diplomatically from western countries as well as China, and therefore had limited access to markets and international financial institutions.

“The top leaders of the Communist party recognised Vietnam was in a very bad economic crisis,” said Pham Chi Lan, an independent economist who advised Vietnam’s government on economic reforms in the 1990s.

“Reform was the only way to save the economy from collapse.”

Like North Korea, Vietnam, with its large agriculture sector, began with reforms that allowed farmers to work their own rice fields and sell products directly to the market. By 1988, it had turned from a net grain importer to an exporter, according to Ms Lan.

Vietnam went on to open its economy to foreign trade and investment, normalise ties with the US, and began privatising its dominant state-owned companies.

Economists in Vietnam and South Korea said that without similar steps, North Korea would struggle to turn its economy round.

“Vietnam’s reforms included privatising state-run companies, easing foreign investment regulations, and drafting systems to support exports,” said Lee Jong-hwa, former chief economist at the Asian Development Bank. “North Korea will need to implement much broader reforms before it starts receiving FDI.”

Mr Lee added: “When the North talks about Vietnam’s model, they actually just want to normalise ties with the US.”

Analysts also said there were limits to what North Korea might learn from Vietnam, whose period of economic isolation — about two decades — was shorter than the more than six decades that North Korea has been sealed off from the outside world.

“There is interest in Vietnam because I don’t see other possibilities that North Korea can really take notes from,” said Huong Le Thu, senior analyst at the Australian Strategic Policy Institute in Canberra, noting that central European countries went through “collapse or regime change” before undertaking economic reforms.

Ms Lan said North Korea would need to “pursue different reform tracks simultaneously”, including in education and politics, if it hoped to succeed.

The Vietnamese model may not be the only one Pyongyang is studying.

Chinese companies have long played a crucial role in propping up the North Korean economy, and Beijing has been open about its desire for the country to follow its own version of economic reform without political liberalisation. A recent article in Chinese state media claimed that Pyongyang intended “to learn from China’s experience of reform and opening-up”.